

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 AF-10 ARA-10 EA-10 EUR-12 NEA-10
STRE-00 ISO-00 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 DOEE-00 SSO-00 /159 W
-----020817 241716Z /41

P 241700Z FEB 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 6418
INFO AMEMBASSY KUALA LUMPUR

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USMTN

STR FOR ACTION

STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD, MY
SUBJECT: US MALAYSIA BILATERAL ON US JANUARY 23 OFFER.

1. SUMMARY: MTN DEL (GRAEF) MET WITH MALAYSIA DEL (YEE CHE FONG) ON FEBRUARY 22 TO DISCUSS US JANUARY 23 OFFER. CHE FONG APPEARED TO BE GRATIFIED WITH US OFFER. HE ALSO CALLED OUR ATTENTION TO PROBABLE MARCH MEETING OF ASEAN SENIOR TRADE OFFICIALS TO ASSESS ASEAN MTN PARTICIPATION. A FOLLOW ON MEETING IS SCHEDULED FOR NEXT WEEK TO CLARIFY US REQUESTS AND TO HEAR PRELIMINARY MALAYSIAN RESPONSES. END SUMMARY.

2. US MTN DEL OUTLINED MAJOR BENEFITS OF THE US JANUARY 23
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TARIFF OFFER TO MALAYSIA DRAWING FROM A SURVEY OF DUTIABLE TARIFF LINES ON WHICH MALAYSIA HAD A 5 PER CENT OR GREATER SHARE OF US IMPORTS IN 1976 OF AT LEAST \$100,000. WE NOTED THAT FORMULA CUTS WERE OFFERED ON PRODUCTS TOTALLING 205 MILLION DOLLARS AND FULL US TRADE ACT AUTHORITY WAS APPLIED TO 23 MILLION DOLLARS. IN CONTRAST US HAD OFFERED LESS THAN FORMULA CUTS ON ITEMS TOTALLING 2.5 MILLION DOLLARS

AND HAD TAKEN AN EXCEPTION ON ONLY ONE ITEM WHICH MALAYSIA SUPPLIED MORE THAN 5 PER CENT OF US MARKET. IN ADDITION MTN DEL POINTED TO THE FACT THAT US HAD OFFERED FULL AUTHORITY CONCESSIONS ON 15 OF 22 PRODUCTS REQUESTED BY MALAYSIA IN ITS S&D REQUEST TABLED JANUARY 12.

3. FYI AMEMBASSY KUALA LUMPUR: FIGURES CITED ABOVE ARE BASED ON CONFIDENTIAL OFFER WHICH IS CLASSIFIED GATT SECRET AND, DUE TO SENSITIVITY, SHOULD NOT BE CITED IN CONVERSATIONS WITH PRESS AND PRIVATE SECTOR CONTACTS. END FYI.

4. MTN DEL STATED THAT MAINTENANCE OF OUR OFFER WAS DEPENDENT ON CONTRIBUTIONS TO THE MTN BY BENEFICIARIES TO THE OFFER. WE ALSO NOTED THE ABSENCE OF A REQUEST FROM MALAYSIA ON INTEGRATED CIRCUITS ON WHICH MALAYSIA EXPORTED 200 MILLION DOLLARS TO THE US (INCLUDED IN FORMULA CUTS) AND ELECTRIC LUMINESCENT LAMPS ON WHICH FULL TRADE ACT AUTHORITY HAD BEEN APPLIED.

5. CHE FONG WAS CLEARLY IMPRESSED BY THE SCOPE OF THE US OFFER AND INDICATED THAT MALAYSIAN GOVERNMENT HAD BEEN INTERNALLY PREPARING RESPONSE TO US REQUEST LISTS TABLED IN THE TROPICAL PRODUCT AND AGRICULTURAL GROUPS AND THE DECEMBER 16 INFORMAL LIST OF PRODUCTS ON WHICH THE US HAS ASKED IMPROVED MARKET ACCESS. HE INDICATED THAT MALAYSIA HAD ALREADY REDUCED DUTIES ON SEVERAL OF THE ITEMS THE US HAD REQUESTED AND COULD DISCUSS CONCESSIONS ON LICENSING. LIMITED OFFICIAL USE

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HE STATED DEFINITELY HOWEVER, THAT MALAYSIA HAD NO PLANS TO BIND THE TARIFF REDUCTIONS. IT WAS AGREED TO MEET ON FEBRUARY 28 TO CLARIFY US REQUEST AND AT WHICH TIME CHE FONG WOULD GIVE A PRELIMINARY REPLY TO US REQUEST LIST.

6. HE OUTLINED MALAYSIA'S PRIORITIES AS FOLLOWS: PALM OIL, PALM KERNEL OIL AND CANNED PINEAPPLES. MTN DEL POINTED TO THE INCONSISTENCY OF SEEKING BINDING AT FREE FOR PALM OIL WHILE RULING MALAYSIAN BINDING OF TARIFF REDUCTIONS, AND STATED THAT AN EXCEPTION HAD BEEN TAKEN ON CANNED PINEAPPLES AND EXPLAINED ECONOMIC REASONS. CHE FONG INQUIRED WHETHER CONCESSION COULD BE OFFERED ON DICED PINEAPPLE, STATING THAT MALAYSIA THE ONLY EXPORTER OF THIS PRODUCT. COMMENT: CHE FONG HAS PRESSED FOR CONCESSION ON CANNED PINEAPPLES PREVIOUSLY STRESSING SITUATION OF A DEPRESSED INDUSTRY LOCATED IN A STRATEGIC BUT MINORITY REGION IN MALAYSIA. WOULD APPRECIATE WASHINGTON AGENCY ASSESSMENT OF HIS CONTENTION THAT CONCESSION ON DICED VERSUS SLICED PINEAPPLES WOULD BE VALUABLE ONLY TO MALAYSIA AND OF MINIMAL IMPACT. END COMMENT. LIMITED OFFICIAL USE

7. CHE FONG INDICATED THAT ASEAN SENIOR TRADE OFFICIALS (STO) GROUP WOULD MEET IN SINGAPORE SOME TIME IN MARCH (MOST LIKELY THIRD WEEK) TO REASSESS ASEAN MTN POSITIONS. HE BELIEVED THIS MEETING WOULD SHIFT POSSIBILITY OF ASEAN OFFERS FROM THE CURRENT END OF THE DAY POSITION TO CORRESPOND MORE TO THE US PROPOSED TIME FRAME. HE ARGUED THAT US SHOULD BE PREPARED TO SEND A NEGOTIATING TEAM TO DISCUSS MTN WITH STO SUBSEQUENT TO THEIR CONSIDERATION OF ASEAN POSITIONS, ON THE BASIS THAT ASEAN GENEVA COMMITTEE (AGC) COMPOSED OF MINISTRY OF FOREIGN AFFAIRS REPRESENTATIVES WHICH TOOK THEIR INSTRUCTIONS IN TIME CONSUMING PROCESS FROM STO REPRESENTATIVES WHICH CAME FROM OTHER MORE RELEVANT MINISTRIES SUCH AS COMMERCE & INDUSTRY,

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INFO AMEMBASSY KUALA LUMPUR

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AGRICULTURE OR TRADE. FONG INDICATED HIS BELIEF THAT ASEAN WOULD FORMALLY INVITE US TEAM TO SINGAPORE.

8. COMMENT: IT IS CLEAR THAT MALAYSIA IS PREPARED TO ENTER INTO SERIOUS PRODUCT SPECIFIC NEGOTIATIONS BUT HAS BEEN CONSTRAINED BY COMMON ASEAN POSITIONS. STO MEETING COULD BE THE KEY TO MAKING EARLY PROGRESS ON RESOLVING A MTN PACKAGE FOR ASEAN AND SHOULD BE FOLLOWED UP QUICKLY. WE BELIEVE HIS COMMENTS ON THE RELATIONSHIP BETWEEN STO AND AGC ARE ESSENTIALLY CORRECT. END COMMENT.

9. DRAFTED BY GRAEF. CULBERT

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